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INTELLIGENCE REPORT

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COUNTRY Ethiopia

DATE: 25X1

SUBJECT Economic and Financial Developments
in Ethiopia

INFO.

DIST. ☒ October 1947

PAGES 2

SUPPLEMENT

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1. The Price Control Act, No. 13 of 1943, amended by Legal Notice No. 102 of 1947, has come under strict enforcement, particularly since July 1947. Up to 4 August, 32 violators had been arrested and fined for not displaying the sale price of every article offered for sale. Fines were usually around \$E 1,000, but in one case ^{the sum} was \$E 2,000. These unusually severe fines in some cases exceeded the value of the stock of the shop.

2. the reasons for this renewed price control enforcement may be:

- (a) It affords an easy way for the Treasury to collect money. The Treasury of Ethiopia is seriously depleted and funds have been withdrawn from the Provincial Treasuries to meet the needs of the central government. Government employees in Jimma, Gojjam and Addis Ababa have gone for two to three months without pay.
- (b) A desire to drive foreigners from the country. Makonnen Habte Wold, the Minister of Commerce, is the most ardent hater of foreigners among high government officials. There is some evidence, it is reported, that this movement to drive out foreigners, which became evident first about three years ago, is becoming an established factor or policy of the government. Until 11 August, only one Ethiopian merchant and no large foreign business houses have been charged with violating the price control proclamation.

3. Further evidences of financial instability in Ethiopia are:

- (a) It is reported that the State Bank of Ethiopia is rumored to be in some difficulty because of overdue loans in the hands of local creditors;
- (b) The Treasury and State Bank are being caused some embarrassment by the fact that the Maria Teresa dollar has fallen below Sh. 3 in foreign markets. This is the conversion rate fixed by proclamation. The Bank has temporarily ceased its efforts to bring in \$MT.

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Document No. 006

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Auth: DDA MEMO, 3 APR 47

Date: APR 18 1978

Approved For Release 2003/08/07 : CIA-RDP82-00457R000900760006-7

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4. The result of this price control enforcement, which limits profits between the imported cost and the consumer cost to 20% for all handlers, has been some cancellation of orders abroad and a complete stoppage of shipment by importers of goods landed in Djibouti. A continuation of the present enforcement would stop nearly all imports, as merchants cannot handle these goods, which usually pass through three hands, for the margin of profit allowed them. There have been several diversions of shipments arriving at Djibouti to other ports, among them one of a very large quantity of textiles which was sent to Jidda. There is a general feeling of uneasiness among the merchants of Ethiopia and if the 20% profit limit is maintained, most imports will cease. It is expected that the law will be modified or less vigorously enforced as soon as its effect upon customs receipts becomes apparent.

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5. Cotton yarns, which were formerly one of the most important imports to the country, are being seized as they arrive by the Minister of Commerce and sent to a private corporation, MABA, of which he is part owner and Director. The goods are seized by the Minister on his own authority as "necessary to the welfare of the country". One Ethiopian merchant has contested his right to such seizure and the case is pending in the High Court. By the above device the Minister has a monopoly on cotton yarns in the country and can keep the prices of cotton shamas produced in his factory at exorbitant levels.

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